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March 10, 2005

EX PARTE PRESENTATION

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: **Presubscribed Interexchange Carrier Charges, CC Docket 02-53**

Dear Ms. Dortch:

On behalf of its member local exchange carriers ("LECs"), the United States Telecom Association ("USTA")[1] requests that the Commission reconsider, on its own motion, the requirement in the February 17, 2005 Order[2] that LECs file tariffs within 30 days of publication of the Order in the Federal Register to modify their presubscribed interexchange carrier ("PIC") change charges. Because the Order includes several structural changes as well as rate level changes, LECs will require significantly more time than 30 days to make the necessary programming changes in their billing and ordering systems to effectuate these changes and to notify customers, to adopt new methods and procedures, and to train service representatives to administer the charges. The Commission should maintain the *status quo* until the LECs are able to implement the Order's requirements. In addition, the Commission should act immediately to clarify the issues discussed below so that LECs can begin programming their billing systems to comply with the Order.

The Order requires more than a simple change in the level of the PIC change charge. It makes five structural changes: (1) LECs must bifurcate PIC change charges into a manual PIC change charge with a safe harbor maximum of $5.50 and an electronic PIC change charge with a safe harbor maximum of $1.25; (2) LECs may charge only half the manual or electronic PIC change charge when a customer changes both the PIC and the intraLATA PIC ("LPIC") at the same time;[3] (3) LECs may apply the manual PIC change charge to an electronic PIC order that applies to a line with a PIC freeze; (4) LECs may recover the costs of administering PIC freezes, which were excluded from the PIC change charge, through separate PIC freeze charges;[4] and (5)

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[1] USTA is the nation's oldest trade organization for the local exchange carrier industry. USTA's carrier members provide a full array of voice, data and video services over wireline and wireless networks.
[2] *In the Matter of Presubscribed Interexchange Carrier Charges*, CC Docket No. 02-53, Report and Order, FCC 05-32 (rel. Feb. 17, 2005) ("Order").
[3] These two changes create four PIC change charges: a full manual PIC change charge, a full electronic PIC change charge, a one-half manual PIC change charge, and a one-half electronic PIC change charge.
[4] *See* Order, ¶¶ 7, 12, and 21 & n.54.

some LECs will have to make changes to state LPIC charges. These structural changes require programming changes to LECs' billing systems and to other operating support systems that feed data into LECs' billing systems.

First, billing systems must be modified to determine whether a PIC change charge was submitted electronically by an interexchange carrier ("IXC") or was processed manually through a LEC's service center.[5] This includes both the retail billing systems as well as the wholesale billing systems, because some IXCs have agreements with LECs that give the IXCs, themselves, rather than end users, the option to pay the PIC change charge. As a result of mergers and for other reasons, many LECs have multiple billing systems that must be modified. LECs must also modify the service ordering systems that interface with the billing systems and the operating support systems that exchange customer access record exchange ("CARE") information with IXCs to provide the required information to the billing systems about how PIC change orders were received. In addition, because customers have two years to submit a slamming complaint and to obtain refunds of the PIC change charges that they paid when they were slammed, billing systems will have to be modified to identify which PIC was paid (the "old" PIC change charge ($5.00), the new PIC change charge ($1.25) or the new half PIC change charge ($0.63)) paid when a customer was slammed.

Second, LECs must modify their billing systems to determine when a PIC and LPIC are made simultaneously and to charge half the applicable PIC rate when this occurs. Some LECs' systems already identify this situation when the level of the state LPIC charge depends on whether the PIC is changed at the same time. However, this does not occur in all states, and in none of the states does the level of the interstate PIC change charge depend on the application of the LPIC. Again, this also will require changes in the service ordering systems that feed into the billing systems.

Third, LECs' billing systems must be modified to apply the manual PIC change charge when a PIC is submitted electronically for a line that has a PIC freeze. However, the Commission must first clarify whether it intended to make a change in the function of the PIC freeze when it stated that manual processing costs would be recovered when an electronic PIC change order is made on a line with a PIC freeze. LECs currently reject an electronic PIC change order from an IXC for a line that has a PIC freeze. The purpose of the PIC freeze is to block the processing of such PIC orders from an IXC unless the end user first contacts the LEC directly to remove the freeze. After the PIC freeze is removed from the line, the LEC will process a PIC change request on that line from the customer or from an IXC. However, when IXCs merge, LECs will override the PIC freeze to process an electronic order from the merged IXC to change the PIC to the surviving carrier. In addition, when a switchless reseller changes the facilities-based IXC that carries its traffic, the LEC will override the PIC freeze to move the

[5] The Commission should clarify the type of PIC change charge that should be applied to orders that are submitted by fax, e-mail, or an Internet site and that must be entered manually into the ordering system by LECs. Since all such orders require manual intervention before they go into the system, they should be subject to the manual PIC change charge.

customer lines to the new IXC. In both cases, the PIC change orders are submitted by the IXCs in electronic batches, and they are processed electronically because there is no manual intervention in lifting the PIC freeze. The Commission must clarify whether it intended to require LECs to process electronic PIC change orders on lines that have PIC freezes other than for mergers or requests by switchless resellers to change IXCs. The Commission should also clarify whether the manual or electronic PIC change charge should be applied when merging IXCs or switchless resellers that are changing IXCs submit PIC change orders electronically on lines with PIC freezes.

Fourth, LECs that decide to recover the PIC freeze administration costs that the Commission did not allow them to recover through the PIC change charge would have to modify their billing systems and the service ordering systems to identify when a freeze is placed on a line and to bill the appropriate charge.

Fifth, the Commission's decision to allow only one-half the applicable PIC change charge when the customer simultaneously selects an LPIC will require LECs in some cases to make changes to state LPIC charges. LPICs were developed in the state tariffs on the assumption that the carriers recover a full $5.00 through their interstate tariffs when the customer selects a PIC. Often, the LPIC is reduced when a PIC change is made with the same service order. In some cases, the states do not allow any LPIC charge when a $5.00 interstate PIC change charge applies. Accordingly, LECs will have to modify their state tariffs in some instances in response to the Commission's finding that they may recover the other half of their PIC change costs through the LPIC rates in the state tariffs. LECs may also need to modify the billing systems for the state rates to reflect these changes. Since state tariffs usually must be filed on much more than 15 days' notice, they cannot be made effective in the same time period as is required by the Order for the interstate PIC rate changes. In addition, state commissions may take time to review these filings, as the Order raises issues that have not been explored in the states.

Federal and state rules in many cases require LECs to provide customer notification of the increased rates, and the structural changes will require further explanation to avoid customer confusion. In most cases, this will be done through bill inserts, which must be drafted, processed through the billing system, and included in normal billing cycles. LECs must also train their service representatives to explain to customers how these charges apply and to respond to billing disputes.

At least one commenter in this proceeding has already pointed out that the bifurcation of the PIC change charge alone would require eight months or more to implement.[6] The additional structural changes that the Commission adopted make the task even more difficult and time consuming. The primary limitation is the time it takes to make computer programming changes to the billing and operating support systems. First, detailed requirements must be defined for

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[6] *See, e.g.,* Notice of *ex parte* meeting from Ann Berkowitz, Verizon, to Marlene H. Dortch, Secretary, FCC (filed Nov. 30, 2004), attachment, p. 3.

each system that must be modified to meet the requirements in the Order, including describing all impacts on existing Uniform Service Order Codes ("USOCs"), developing new USOCs, writing bill messages, identifying exclusions and/or exemptions, identifying tax rules in each state, and identifying editing restrictions and developing testing criteria.[7] The requirements include changes to the universal service charges to bill the correct amount for each type of PIC change charge. Next is the design and development phase, when the actual coding changes are made in the computer programs. Finally, there is the testing phase, when integrated testing is performed to ensure that the systems have been coded correctly and that each passes the information correctly to the next system. It is only after successful testing that the tariff changes can be scheduled to implement the rate changes.

Clearly, it is impractical for LECs to meet the implementation schedule established in the Order. Accordingly, USTA requests that the Commission allow the carriers at least ten, preferably 12, months, to file tariff revisions implementing the revised PIC change charges. The Commission should maintain the *status quo* during this period by permitting the LECs to continue applying the current PIC change charges to all PIC orders until the revised tariffs become effective.

In accordance with FCC Rule 1.1206(b)(1),[8] I am filing this *Ex Parte* Presentation with the Commission electronically for inclusion in the public record. Please telephone me at (202) 326-7223 with any questions.

Sincerely,

Indra Sehdev Chalk
Counsel

[7] These requirements cannot be finalized until the Commission clarifies the points raised in this letter.
[8] 47 C.F.R. § 1.1206(b)(1).